



NORWEGIAN MINISTRY OF FINANCE

Perspectives on the role of the Office of the Auditor General of Norway

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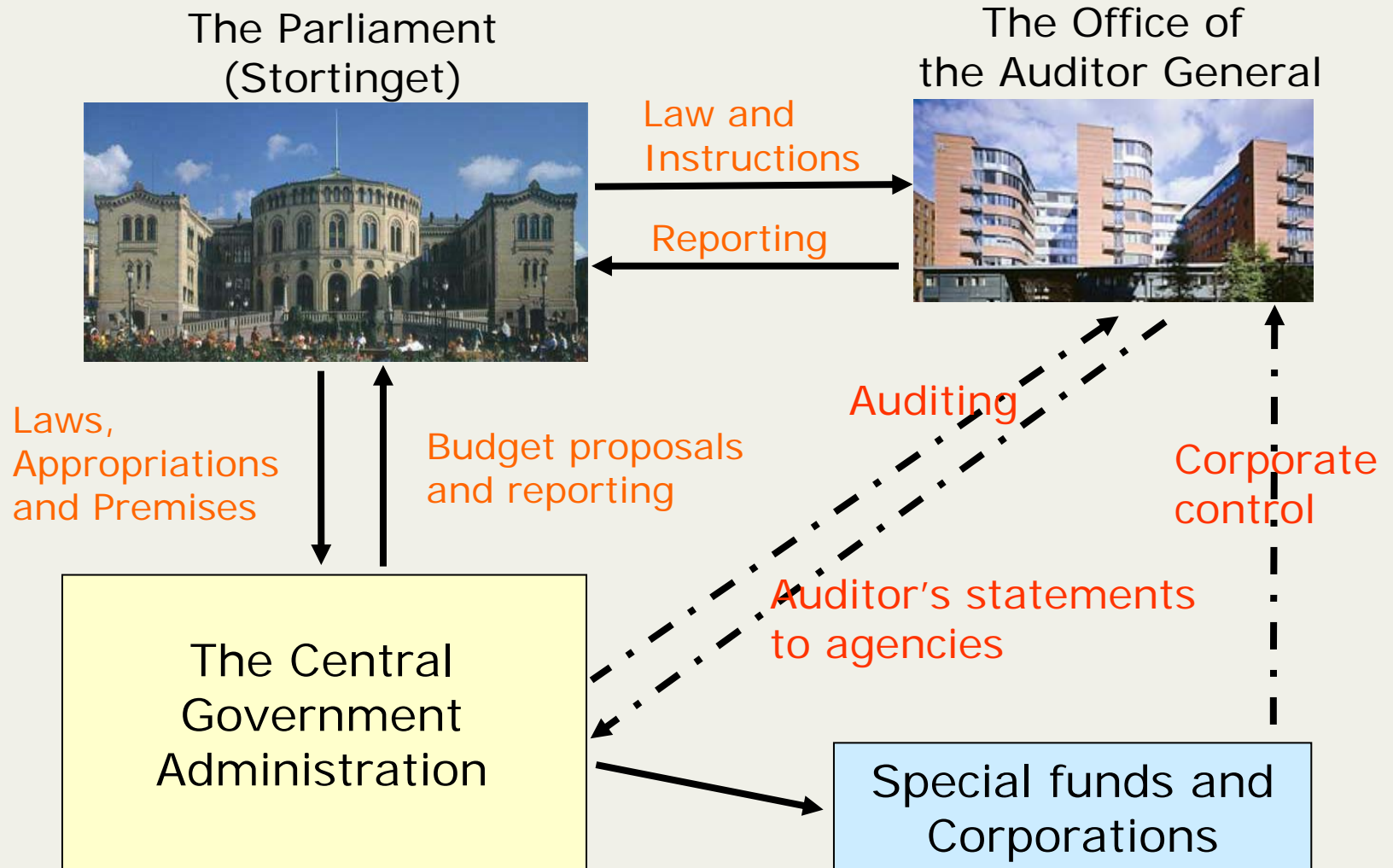
Secretary General, Ministry of Finance

16 September 2008

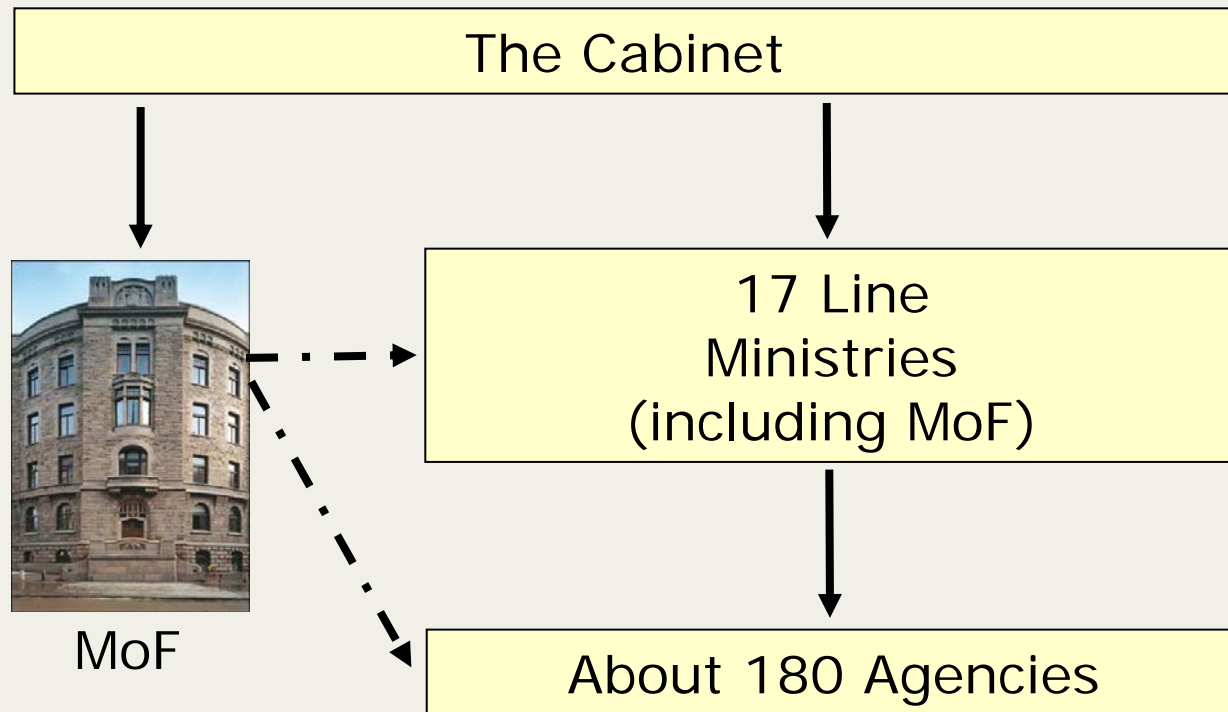
Agenda

- The relationship between Parliament (Storting), the Government and the OAGN
- The role of the Ministry of Finance (MoF)
- The role and objectives of OAGN (as seen from MoF)
- The importance of OAGN's independence

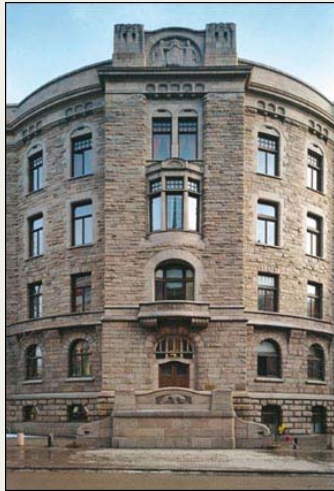
Parliament, Government and the OAGN



The Central Government Administration



Ministry of Finance



- Areas of responsibility
 - Planning and implementing economic policy
 - Co-ordinating the preparation of the budget and financial management
 - Ensuring government revenues by maintaining and developing the system of taxes and duties
 - Monitoring financial markets and drawing up regulations
 - Administer the state's financial assets
- Governance of subordinate agencies and entities

Responsibilities on Budget and Financial Management

Ministry of Finance



- Coordinates the budget process – the budget secretariat to the Cabinet
- Prepares and presents the budget propositions and the white paper on the state accounts
- Administers the Appropriations Regulations and the Financial Management Regulations

17 Line Ministries (including MoF)

- Acts as a secretariat to the Minister
- Each minister is accountable to the Parliament
- Administers laws and regulations (most of these tasks are delegated to agencies)
- Governs subordinate agencies and follows up on state owned corporations



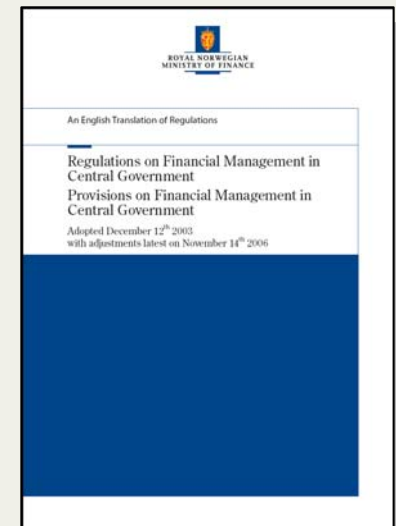
MoF's role in spending and performance control

- Overarching goal: Effective use of resources
- MoF considers financial and performance information during the budget processes
 - Principal budget proposition – in October
 - Mid-year budget revision – in May
 - End-year technical amendments – in November
- Other ministries are required to submit to the MoF all matters that might have an impact on the fiscal budget or the national economy



The Financial Management Regulations

- The purpose of the Regulations on Financial Management is to ensure that:
 - a) central government funds are spent and revenues are generated in accordance with the decisions and premises of the Storting
 - b) established objectives and performance requirements are achieved
 - c) central government funds are used efficiently
 - d) assets belonging to the central government are properly managed
- Central Government Decree (2003)





Governance principles I

- The ministries shall establish overall objectives and governance indicators for their subordinate agencies
- All agencies shall:
 - a) establish objectives and performance requirements
 - b) ensure that established objectives and performance requirements are achieved, resource use is efficient and that the agency is run in compliance with applicable laws and regulations
 - c) ensure sufficient management information and a proper basis for decisions



Governance principles II

- All ministries are required to keep full control of all activities and all operations within its area of responsibility (including subordinate agencies)
- Management, monitoring and control must be adjusted to the agency's distinctive characteristics, risk profile and significance
- Some larger agencies have internal audit units
- Mandatory requirements for evaluations



Role and objectives of OAGN

- The OAGN is the Storting's supervisory body
- The OAGN shall ensure that the state's resources and assets are used and administered
 - in accordance with the Storting's decisions and premises
 - in a sound financial manner
- Through its audits, the OAGN shall contribute to the prevention and detection of irregularities and errors
- The OAGN audits all ministries and their subordinate entities



OAGN's independence

- OAGN is independent from the central government administration, and reports to the Storting
- OAGN enjoys full independence, including appointments and budgets
- OAGN should be competent and objective, i.e. politically neutral
- The Storting appoints an external auditor to audit the OAGN
- This independence from the executive is very important for the credibility of the audit function



Time schedule for state accounts reports and audit reports





The MoF use of OAGN's reports

- The OAGN conducts three types of audit and control activities:
 - financial audits
 - performance audits
 - corporate control
- The OAGN's reports are useful for MoF and line ministries
- The MoF (and other ministries) takes remarks from the OAGN seriously



Shared interests between OAGN and MoF

- Focus on the Parliament's decisions and intentions
- Focus on the whole Central Government Administration
- Focus on effective use of resources
- Focus on whether the Government's financial management is properly organised and is executed in compliance with applicable laws and regulations
- Focus on whether the ministries and subordinate entities are spending within their appropriations



The OAGN's role towards MoF as an audited entity I

- Two roles of MoF: Budget Ministry and Line Ministry
- MoF as a Budget Ministry
 - The OAGN has criticised the MoF as overall responsible for the public financial management system (1999) for deficiencies in the financial management of the central government administration



The OAGN's role towards MoF as an audited entity II

- MoF as a Line Ministry (like other line ministries)

The OAGN has occasionally criticised deficiencies in the MoF with the Subordinate Agencies, such as:

- Lack of achievement of objectives and results
- Deficiencies in internal control system
- Weaknesses in handling public procurements



The importance of OAG's independence

- The independence of the OAGN is a crucial requirement to ensure that:
 - Parliament's decisions and intentions are fulfilled
 - The executive is effective and accountable
 - The executive has the necessary transparency and legitimacy

i.e. the OAG's activities are essential from the perspective of the Parliament and the tax payers
- The MoF agrees with these considerations...
 - ...but may disagree with OAGN on individual methods and findings

Summing up

- The function of the OAGN is a crucial pillar in the public financial management system in Norway
- The OAGN's independence from the executive is very important for the credibility of the audit function
- There are many shared interests between the OAGN and the MoF
- There is a constructive dialogue between the OAGN and the executive on audit findings and corresponding problems